

The CHAIRMAN: Do I understand that in the lower brackets there would be a lower rate of interest; than what?

The WITNESS: What I understood Mr. Stevens to say was—

The CHAIRMAN: You were putting the question, lower; I was wondering, lower than what?

Hon. Mr. STEVENS: I will make that a little clearer if I can.

The CHAIRMAN: Yes.

By Hon. Mr. Stevens:

Q. We have been speaking, Mr. Forsyth, of the possible elimination of the \$300—\$500 bracket?—A. Yes.

Q. And the better enforcement of the penalties against the loan shark?—A. Yes.

Q. And assuming these two things, the tendency would be to press the borrowers toward what might be termed the legitimate small loan companies?—A. Quite so.

Q. And as a result of that greater volume of business there would be the possibility of lowering charges.

The CHAIRMAN: Lower than what?

Hon. Mr. STEVENS: Of lowering the overhead charges.

The WITNESS: Of lowering costs.

By Hon. Mr. Stevens:

Q. Then we come to the point that I tried to make before; that would have the result of possibly establishing a lower rate of interest—to meet the chairman's point of view we will say—than the present rate of interest, or than the rate of interest proposed in this bill?—A. I would put it this way: I do not believe that we have in Canada yet, at least I have not been able to find it—I am still trying and I may find it—I have not been able to find in Canada yet any experience of a company or of an individual loaning money who has really determined the matter of what the rate ought to be. I said this morning to Mr. Cleaver that I took the Russell Sage Foundation rate in Massachusetts as being something on which to start. If you establish X as the rate on a borrowing of \$100.00; and X plus something else as the rate above that, and you say under present conditions that is the rate that these companies have to get to induce them to stay in business; then, if you get as you suggest better enforcement of the penalty statutes and direct the flow of business in volume to these companies, then I feel that that would reduce their costs, and the basic rate might possibly be reduced. But that brings up another point which I have had in mind but which has not made its appearance in any legislation in this country; that in the case of certain companies providing certain types of service they might have their rates regulated just as the amount of the capital invested in them is regulated; that is, there is a possibility that it might prove desirable to limit the amount of earning which companies of a certain type, let us say loan companies, might be permitted to make, and any amount earned over and above this limit might be applied towards a reduction of the rates.

Q. You would agree that that would be the tendency?—A. The tendency would be toward lowered rates.

Hon. Mr. STEVENS: There was another question in my mind, but for a moment it has escaped me. I think that is all I have.

[Mr. Lionel A. Forsyth.]